

What is Absolute Advantage?

Worksheet

Absolute advantage means one producer can make more of a good with identical resources. It's straightforward efficiency comparison, but doesn't always mean you should specialize or trade.

Questions

1. Producer A: 100 pizzas/day with 10 workers. Producer B: 80 pizzas/day with 10 workers.

Absolute advantage in pizzas?

- A) A
- B) B
- C) Equal
- D) Neither

2. Absolute advantage requires...

- A) lower opportunity cost
- B) more output with same resources
- C) better technology
- D) a trade agreement

3. Alice has absolute advantage in X; she should...

- A) always specialize in X
- B) never specialize
- C) look at comparative advantage (OC)
- D) trade away all X

4. If Country A is better at everything than Country B...

- A) trade is impossible
- B) trade is pointless
- C) trade still benefits both if OC differs
- D) B has no comparative advantage

5. Factory A makes 500 bikes per week with 50 workers. Factory B makes 400 bikes per week with 50 workers. Who has absolute advantage?

6. Alice grows 20 tomatoes or 8 carrots per hour. Bob grows 15 tomatoes or 6 carrots per hour. Absolute advantages?

7. Country X produces 1000 tons of steel with 100 workers. Country Y produces 800 tons with 100 workers. Absolute advantage?

8. Define: What is absolute advantage?

9. Define: Is absolute advantage the same as comparative advantage?

10. Define: Can you have absolute advantage in everything?

Answer Key

1. A) A — A makes more ($100 > 80$) with same workers.
2. B) more output with same resources — It's about comparing output levels with equal inputs.
3. C) look at comparative advantage (OC) — Comparative advantage (OC), not absolute, guides specialization.
4. C) trade still benefits both if OC differs — Different opportunity costs still create mutual trade gains.
5. Same workers (50) Factory A: 500 bikes Factory B: 400 bikes Factory A has absolute advantage in bikes
6. Alice: $20 > 15$ in tomatoes → AA in tomatoes Alice: $8 > 6$ in carrots → AA in carrots Alice has absolute advantage in both
7. Both use 100 workers X produces 1000 tons Y produces 800 tons X has absolute advantage
8. Ability to produce more output with same resources than another producer.
9. No — absolute is raw efficiency; comparative is about lower opportunity cost.
10. Yes — if you're better at producing all goods than everyone else.

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